

ER-11-7347a

✓ encl 30 SEP 1959

Mr. James Horvath
Executive Vice-President
The Kossuth Foundation, Inc.
207 East Thirty-seventh Street
New York 16, New York

Dear Mr. Horvath:

Thank you very much for your letter of 28 August enclosing a copy of your current survey on Hungary which arrived while I was out of the city on a brief holiday.

I want to let you know that we are studying the publication and you may hear further from us at an early date. Your thoughtfulness in bringing it to my attention is indeed appreciated.

With kindest regards.

Sincerely,

SIGNED

Allen W. Dulles
Director

DDP/EE/ [] (23 Sept. 59)
Retyped: O/DCI/ [] 29 Sept. 59)

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(EXECUTIVE DIRECTOR FILE)

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Ref file
11-73471
12 OCT 1959

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: Deputy Director/Intelligence *RA9/p*
SUBJECT: Review of Kossuth Foundation Survey on
"Hungary, July 1958-July 1959"

1. This memorandum suggests action on the part of the DCI. Such suggested action is contained in paragraph 3.
2. The subject survey is of little intelligence value. It contains no statistical information not available to us from other sources and some of the author's interpretations are of questionable validity. In general, the analysis suffers from the understandable anti-regime bias of the author, particularly in sections dealing with collectivization of agriculture and living standards. This bias is apparent in a number of somewhat emotional statements.
3. In my opinion your reply to Mr. Horvath of 30 September is sufficient and no further response is necessary. However, if you wish to provide him with specific comments on this survey, I suggest you send the enclosed letter together with the attached comments of our analysts.

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Enclosure.



OTTO E. GUTHE
Assistant Director

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Executive Registry

11-7347/B

Mr. Janos Horvath
Executive Vice-President
The Kossuth Foundation, Inc.
207 East Thirty-seventh Street
New York 16, New York

Dear Mr. Horvath:

As I indicated to you in my letter of 30 September, I have had some of my people read through Mr. Sataray's paper on Hungary. Their comments are attached for your information.

Thank you again for sending me a copy of this report. Research studies of a similar nature which your Research Center may produce in the future will almost certainly be of interest to me and to members of my staff.

Sincerely,

Allen W. Dulles
Director

Distribution:

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OAD/ [redacted] 12 October 1959) Deputy Director/Intelligence

Comments on: Hungary, A Survey,
July 1958-July 1959, Part 1
by Mr. Zoltan Sztaray

General:

The author's familiarity with official Hungarian sources and his first hand acquaintance with the Hungarian people help to make the description of events vivid and the analysis forceful. The timeliness of the report is also to be commended since it is an achievement to write and publish an account of a period three months after its ending.

The following are specific remarks on some of the various topics covered in the survey:

Agriculture--There is no doubt that forced collectivization had a highly detrimental effect on agricultural production in the past and will cause difficult problems for the regime in the future. But can one conclude from this that "agricultural bankruptcy, poverty, and famine...follow ineluctably in the wake of forced collectivization" (p. 11)? Peasant resistance to the collective system may be strongly felt during the process of collectivization, but the material interest of peasants, once they become members, does not permit them the luxury of continuous sabotage. In the past the collective system has been very inefficient particularly in animal husbandry. But there have been improvements during the past 2 years, and future improvements in the system are not out of the question if the regime continues to

pour larger investments and increased amounts of chemical fertilizer and other materials into agriculture. Moreover, large scale farming such as exists under a collective system has certain potential advantages over very small scale private farming, particularly in grains and other extensive types of agriculture. Whether this potential can be realized is, of course, questionable.

Standard of Living--The author states that the year 1957 was one of economic hardship and implies that improvements in living standards did not become noticeable until 1958 (p. 15). There is much evidence that per capita consumption had recovered to a level higher than before the revolution by the second half of 1957. Production of the light and food industries in 1957 was not affected extensively by the strike or by shortages of materials. Production in heavy industry recovered more slowly, but this affected the balance of foreign trade and investments more than it did consumer welfare. On the other hand, retail trade statistics indicate that improvements in consumption since the second half of 1957 have been very slight (Source: Statisztikai Havi Kozlemenyek).

Foreign Trade--The "bread shortage" referred to on p. 24 as a cause of the continued imports of wheat in 1958 is partly a reflection of official agricultural policy favoring production of fodder for

domestic livestock over that of food grains. This is probably a reasonable policy in view of the generally low level of Hungary's agricultural production.

The foreign trade deficit of 35⁴ million forints during the first half of 1959 (p. 25) may be due to seasonal rather than to exceptional factors. It is likely to be offset by a surplus during the second half of the year as exports of agricultural products expand; this was the case in 1958.



CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

Mr. Janos Horvath
Executive Vice-President
The Kossuth Foundation, Inc.
207 East Thirty-seventh Street
New York 16, New York

Dear Mr. Horvath:

As I indicated to you in my letter of 30 September, I have had some of my people read through Mr. Sztaray's paper on Hungary. Their comments are attached for your information.

Thank you again for sending me a copy of this report. Research studies of a similar nature which your Research Center may produce in the future will almost certainly be of interest to me and to members of my staff.

Sincerely,

Allen W. Dulles
Director

THE KOSSUTH FOUNDATION, INC.

207 EAST 37th STREET, NEW YORK 16, N. Y.

Telephone: OXford 7-8377

Executive Registry

11-7347

EDWARD J. KIRCHNER
President

JANOS HORVATH
Vice President

ZOLTAN SZTARAY
Research Director

NICHOLAS M. DOMAN
Legal Advisor

August 28, 1959

Mr. Allen Dulles
Director,
Central Intelligence Agency
Washington, D.C.

Dear Mr. Dulles:

We have recently published our latest survey report on Hungary which was compiled by our Research Center. The research was based entirely on official Hungarian sources presenting the facts as they are.


Simultaneously we are mailing to your address a copy of Part I of the 61 pages survey. Part 2, which will cover various violations of Human Rights during the past year in Hungary, will be published in limited numbers soon.

The Kossuth Foundation is a privately-supported, independent organization which supports among other things, the Hungarian Research Center. Mr. Zoltán Sztáray, author of this survey, is a noted Hungarian economist and sociologist who fled his country after the Revolution of 1956.

Your continued interest in the affairs of East European nations is well known to us. We hope that some of the material contained in this study will prove to be useful for your information. We shall be glad to furnish you with additional data on these various subjects.

Your comments on the material in this survey would be greatly appreciated by the author and our staff.

Sincerely yours,


Janos Horvath
Executive Vice-President